

**REPORT OF THE AUDIT OF THE  
CUMBERLAND COUNTY  
SHERIFF**

**For The Year Ended  
December 31, 2005**



**CRIT LUALLEN  
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## **EXECUTIVE SUMMARY**

### **AUDIT EXAMINATION OF THE CUMBERLAND COUNTY SHERIFF**

**For The Year Ended  
December 31, 2005**

The Auditor of Public Accounts has completed the Cumberland County Sheriff's audit for the year ended December 31, 2005. Based upon the audit work performed, the financial statement presents fairly, in all material respects, the revenues, expenditures, and excess fees in conformity with the regulatory basis of accounting.

#### **Financial Condition:**

Excess fees decreased by \$11 from the prior year, resulting in excess fees of \$9 as of December 31, 2005. Revenues increased by \$4,146 from the prior year and expenditures increased by \$4,157.

#### **Debt Obligations:**

Total debt principal as of December 31, 2005, was \$11,000. Future payments are to be made, as funds are available with no interest accruing.

#### **Report Comment:**

- The Sheriff's Office Lacks Adequate Segregation Of Duties
- The Sheriff Should Obtain Written Agreements For All Debt Obligations

#### **Deposits:**

On December 6, 2005, \$134,793 of the Sheriff's deposits of public funds were uninsured and unsecured by bank securities.



## CONTENTS

PAGE

|   |    |
|---|----|
| INDEPENDENT AUDITOR'S REPORT .....  | 1  |
| STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS .....   | 3  |
| NOTES TO FINANCIAL STATEMENT .....  | 5  |
| COMMENTS AND RECOMMENDATIONS .....  | 11 |
| REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND<br>ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL<br>STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS ..... | 13 |





CRIT LUALLEN  
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Tim Hicks, Cumberland County Judge/Executive  
Honorable James Pruitt, Cumberland County Sheriff  
Members of the Cumberland County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of revenues, expenditures, and excess fees - regulatory basis of the Sheriff of Cumberland County, Kentucky, for the year ended December 31, 2005. This financial statement is the responsibility of the Sheriff. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Sheriff's office prepares the financial statement on a regulatory basis of accounting that demonstrates compliance with the laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the revenues, expenditures, and excess fees of the Sheriff for the year ended December 31, 2005, in conformity with the regulatory basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated October 27, 2006 on our consideration of the Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.



The Honorable Tim Hicks, Cumberland County Judge/Executive  
Honorable James Pruitt, Cumberland County Sheriff  
Members of the Cumberland County Fiscal Court

Based on the results of our audit, we have presented the accompanying comments and recommendations, included herein, which discusses the following report comments:

- The Sheriff's Office Lacks Adequate Segregation Of Duties
- The Sheriff Should Obtain Written Agreements For All Debt Obligations

This report is intended solely for the information and use of the Sheriff and Fiscal Court of Cumberland County, Kentucky, and the Commonwealth of Kentucky and is not intended to be and should not be used by anyone other than these interested parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen  
Auditor of Public Accounts

Audit fieldwork completed -  
October 27, 2006

CUMBERLAND COUNTY  
JAMES PRUITT, SHERIFF  
STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS

For The Year Ended December 31, 2005

Revenues

State Fees For Services:

|                                    |    |        |    |        |
|------------------------------------|----|--------|----|--------|
| Finance and Administration Cabinet | \$ | 12,169 |    |        |
| Sheriff Security Service           |    | 5,513  | \$ | 17,682 |

Circuit Court Clerk:

|                          |  |  |  |       |
|--------------------------|--|--|--|-------|
| Fines and Fees Collected |  |  |  | 1,750 |
|--------------------------|--|--|--|-------|

Fiscal Court

67,144

County Clerk - Delinquent Taxes

324

Commission On Taxes Collected

57,876

Fees Collected For Services:

|  |       |  |  |        |
|--|-------|--|--|--------|
| Auto Inspections                         | 2,190 |  |  |        |
| Accident and Police Reports              | 31    |  |  |        |
| Serving Papers                           | 6,725 |  |  |        |
| Carrying Concealed Deadly Weapon Permits | 3,340 |  |  | 12,286 |

Other:

|                         |       |  |  |        |
|-------------------------|-------|--|--|--------|
| Tax Penalty Fees        | 8,036 |  |  |        |
| Tax Advertising Fees    | 1,220 |  |  |        |
| Transporting Prisoners  | 339   |  |  |        |
| Insurance Reimbursement | 2,423 |  |  |        |
| Miscellaneous           | 1,264 |  |  | 13,282 |

Interest Earned

1,236

Borrowed Money:

|                   |        |  |  |        |
|-------------------|--------|--|--|--------|
| State Advancement | 29,000 |  |  |        |
| Bank Note         | 6,900  |  |  | 35,900 |

Total Revenues

207,480

The accompanying notes are an integral part of this financial statement.

CUMBERLAND COUNTY  
 JAMES PRUITT, SHERIFF  
 STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS  
 For The Year Ended December 31, 2005  
 (Continued)

Expenditures

Operating Expenditures and Capital Outlay:

|  |           |
|--|-----------|
| Personnel Services-                      |           |
| Deputies' Salaries                       | \$ 75,960 |
| Contracted Services-                     |           |
| Contract Labor                           | 100       |
| Materials and Supplies-                  |           |
| Office Materials and Supplies            | 808       |
| Uniforms                                 | 2,255     |
| Auto Expense-                            |           |
| Gasoline                                 | 13,690    |
| Maintenance and Repairs                  | 5,147     |
| Other Charges-                           |           |
| Computer Repairs/Services                | 75        |
| Postage                                  | 2,368     |
| Transporting Prisoners                   | 1,738     |
| Carrying Concealed Deadly Weapon Permits | 2,460     |
| Miscellaneous                            | 708       |
| Capital Outlay-                          |           |
| Vehicles                                 | 1,000     |

Debt Service:

|                   |        |
|-------------------|--------|
| State Advancement | 29,000 |
| Notes             | 6,900  |
| Fees & Interest   | 587    |

|  |            |
|--|------------|
| Total Expenditures                               | \$ 142,796 |
| Net Revenues                                     | 64,684     |
| Less: Statutory Maximum                          | 62,280     |
| Excess Fees                                      | 2,404      |
| Less: Training Incentive Benefit                 | 2,395      |
| Excess Fees Due County for 2005                  | 9          |
| Balance Due Fiscal Court at Completion of Audit* | \$ 9       |

\*Note: The Sheriff presented a check to the County Treasurer for the balance due Fiscal Court on October 27, 2006.

The accompanying notes are an integral part of this financial statement.

CUMBERLAND COUNTY  
NOTES TO FINANCIAL STATEMENT

December 31, 2005

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of revenues over expenditures to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

KRS 64.820 directs the fiscal court to collect any amount, including excess fees, due from the Sheriff as determined by the audit. KRS 134.310 requires the Sheriff to settle excess fees with the fiscal court at the time he files his final settlement with the fiscal court.

The financial statement has been prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this regulatory basis of accounting revenues and expenditures are generally recognized when cash is received or disbursed with the exception of accrual of the following items (not all-inclusive) at December 31 that may be included in the excess fees calculation:

- Interest receivable
- Collection on accounts due from others for 2005 services
- Reimbursements for 2005 activities
- Tax commissions due from December tax collections
- Payments due other governmental entities for payroll
- Payments due vendors for goods or services provided in 2005

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

CUMBERLAND COUNTY  
NOTES TO FINANCIAL STATEMENT  
December 31, 2005  
(Continued)

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost-sharing, multiple-employer, defined benefit pension plan that covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members.

Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 8.48 percent for the first six months and 10.98 percent for the last six months of the year.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report which is a matter of public record. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, Kentucky 40601-6124, or by telephone at (502) 564-4646.

Note 3. Deposits

The Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution's failure, the Sheriff's deposits may not be returned. The Sheriff does not have a deposit policy for custodial risk but rather follows the requirements of KRS 41.240(4). As of December 31, 2005, all deposits were covered by FDIC insurance or a properly executed collateral security agreement. However, as of December 6, 2005, \$134,793 of the deposits were exposed to custodial credit risk as follows:

- Uninsured and unsecured - \$134,793

CUMBERLAND COUNTY  
NOTES TO FINANCIAL STATEMENT  
December 31, 2005  
(Continued)

Note 4. Note Payable

As of January 1, 2005, the office of the Sheriff was liable for an unsecured note of \$5,700. The purpose of this note was to meet payroll and other business expenses. On February 17, 2006 a payment of \$6,210 was made for principal and interest from the 2005 fee account. The remaining balance due on this note is \$0.

In September 2005, the office of the Sheriff entered into an unsecured note in the amount of \$1,200. The purpose of this note was for repairs on the Sheriff's office vehicles. On February 17, 2006 a payment of \$1,277 was made for principal and interest from the 2005 fee account. The remaining balance due on this note is \$0.

The Sheriff entered into two verbal agreements with Johnson Motors for the purchase of two vehicles. On December 15, 2004, the Sheriff purchased a 1998 Ford Crown Victoria for \$5,800. During 2005, a payment of \$1,000 was made resulting in an outstanding balance of \$4,800 as of December 31, 2005. On August 19, 2005, the Sheriff purchased a 2000 Ford Crown Victoria for \$6,200. No payments were made during 2005. There is no interest or payment schedule associated with these agreements. Payments are made as the Sheriff has funds available.

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## COMMENTS AND RECOMMENDATIONS



CUMBERLAND COUNTY  
JAMES PRUITT, SHERIFF  
COMMENTS AND RECOMMENDATIONS

For The Year Ended December 31, 2005

INTERNAL CONTROL – REPORTABLE CONDITION/MATERIAL WEAKNESS:

The Sheriff's Office Lacks Adequate Segregation Of Duties

The Sheriff's office has a lack of segregation of duties. Due to the entity's diversity of official operations, small size, and budget restrictions the official has limited options for establishing an adequate segregation of duties. We recommend that the following compensating controls be implemented to offset this internal control weakness:

- The Sheriff should periodically compare a daily bank deposit to the daily checkout sheet and then compare the daily checkout sheet to the receipts ledger. Any differences should be reconciled. He could document this by initialing the bank deposit, daily checkout sheet, and receipts ledger.
- The Sheriff should compare the quarterly financial reports to receipt and disbursement ledgers for accuracy. The Sheriff should also compare the salaries listed on the quarterly report to the individual earning records. Any differences should be reconciled. The Sheriff could document this by initialing the quarterly financial report.
- The Sheriff should periodically compare the bank reconciliation to the balance in the checkbook. Any differences should be reconciled. The Sheriff could document this by initialing the bank reconciliation and the balance in the checkbook.
- The Sheriff should approve all disbursements and sign all checks. The Sheriff could document this by initialing the invoices.

*Sheriff's Response: None*

COMPLIANCE WITH CONTRACTS:

The Sheriff Should Obtain Written Agreements For All Debt Obligations

During the audit, it was discovered that the Sheriff entered into two verbal agreements with Johnson Motors for the purchase of two vehicles. On December 15, 2004, the Sheriff purchased a 1998 Ford Crown Victoria for \$5,800. During 2005, a payment of \$1,000 was made resulting in an outstanding balance of \$4,800 as of December 31, 2005. On August 19, 2005, the Sheriff purchased a 2000 Ford Crown Victoria for \$6,200. No payments were made during 2005. There is no interest or payment schedule associated with these agreements. Payments are made as the Sheriff has funds available. We recommend in the future that all debt obligations be evidenced by a written agreement that is signed by both parties. This agreement should include the purchase amount, terms and conditions of the agreement, and any other relevant information.

*Sheriff's Response: None*

CUMBERLAND COUNTY  
COMMENTS AND RECOMMENDATIONS  
For The Year Ended December 31, 2005  
(Continued)

PRIOR YEAR:

The following comment was in the prior year audit report and was not corrected:

- The Sheriff Lacks Adequate Segregation Of Duties

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL  
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS





CRIT LUALLEN  
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Tim Hicks, Cumberland County Judge/Executive  
Honorable James Pruitt, Cumberland County Sheriff  
Members of the Cumberland County Fiscal Court

Report On Internal Control Over Financial Reporting And  
On Compliance And Other Matters Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards

We have audited the statement of revenues, expenditures, and excess fees - regulatory basis of the Cumberland County Sheriff for the year ended December 31, 2005, and have issued our report thereon dated October 27, 2006. The Sheriff's financial statement is prepared in accordance with a basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Cumberland County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statement. The reportable condition is described in the accompanying comments and recommendations.

- The Sheriff's Office Lacks Adequate Segregation Of Duties

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider the reportable condition described above to be a material weakness.



Report On Internal Control Over Financial Reporting And  
On Compliance And Other Matters Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards  
(Continued)

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Cumberland County Sheriff's financial statement for the year ended December 31, 2005, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclose an instance of noncompliance or other matters that is required to be reported under Government Auditing Standards and which is described in the accompanying comments and recommendations.

- The Sheriff Should Obtain Written Agreements For All Debt Obligations

This report is intended solely for the information and use of management and the Kentucky Governor's Office for Local Development and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,



Crit Luallen  
Auditor of Public Accounts

Audit fieldwork completed -  
October 27, 2006

